



September 8, 2006

Board of Education  
Grayslake Community Consolidated School District No. 46  
Grayslake, Illinois

We have audited the financial statements of Grayslake Community Consolidated School District No. 46 for the year ended June 30, 2006 and have issued our report thereon dated August 31, 2006.

As stated in our report on internal accounting controls, our study and evaluation disclosed no material weaknesses in your accounting system.

We would, however, like to address the following items and offer recommendations for your consideration:

Interest Income Allocations

The District is not allocating interest income to each individual fund based upon each fund's cash and investment balances. This has resulted in certain funds not being allocated their correct interest earnings.

We recommend that interest income earned each month be allocated to each fund based upon its cash and investment balances.

Negative Cash and Investment Balances

We noted that the IMRF/Social Security Fund had negative cash and investment balances during several months of the year.

These deficits constitute unauthorized interfund loans.

We recommend the District authorize interfund loans to cover deficits that are encountered during the year.

### Segregation of Duties

We note that numerous financial functions are performed by one individual within the District. While this is not unusual for a District of your size, it does represent a lack of segregation of duties.

We recommend the District continue to monitor the overall flow of its financial operations, and consider the cost benefit of further segregation of its accounting functions.

### Federal Program Salary Documentation

We noted that current documentation maintained by the District to support its allocations of salary costs to federal grant programs does not fully comply with the requirements stated in OMB Circular A-87. This circular requires that any employees who are paid with federal funds must prepare monthly time sheets to document their participation in the federal program.

We recommend the District review the circular and establish a system to adhere to the related requirements for federal salary cost documentation.

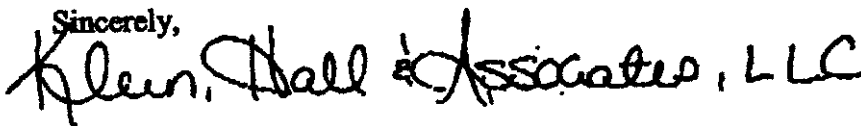
### Positive Attributes

Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the District's financial management systems, which are not specifically covered herein.

We would like to take this opportunity to thank the Business Office and their personnel for the cooperation and courtesies extended to us during our audit.

This report is intended solely for management and should not be used for any other purposes.

Sincerely,

A handwritten signature in black ink that reads "Klein, Hall & Associates, LLC". The signature is written in a cursive, flowing style.

Klein, Hall & Associates, LLC